S. HRG. 99-281

NOMINATIONS OF GEORGE D. GOULD AND CHARLES O. SETHNESS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF

GEORGE D. GOULD TO BE UNDER SECRETARY OF THE TREASURY
CHARLES O. SETHNESS TO BE ASSISTANT SECRETARY OF THE TREASURY FOR DOMESTIC FINANCE

SEPTEMBER 16, 1985

Printed for the use of the Committee on Finance

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NOMINATIONS OF GEORGE D. GOULD AND CHARLES O. SETHNESS

MONDAY, SEPTEMBER 16, 1985

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John H. Chafee presiding.

Present: Senator Chafee.

Senator CHAFEE. The committee will come to order.

The hearing this morning will be on the nominations of Mr. George Gould to be Under Secretary of the Treasury and Mr. Charles Sethness to be Assistant Secretary of the Treasury.

The biographical materials have been distributed to the committee, and I think most will agree that the nominees are well qualified for the positions to which they have been nominated.

Mr. Gould has been chairman and chief executive officer for Madison Resources in New York. Also, since the beginning of this year, he has been a general partner of Wertheim & Co., a New York investment banking firm.

Mr. Gould holds his master's degree from Harvard Business School and the undergraduate degree from Yale.

Mr. Sethness has been associate dean for external relations at Harvard Business School where he also received his master's degree. He's a former managing director for Morgan Stanley & Co., as well as former U.S. Executive Director for the World Bank. He received his undergraduate degree from Princeton.

As Under Secretary of the Treasury, Mr. Gould will be responsible for a number of important issues, such as general policy matters relating to public debt management, the marketing of Treasury securities, and broad domestic and financial issues.

As Assistant Secretary for domestic finance, Mr. Sethness will be responsible for advising the Secretary, Deputy Secretary, and new Under Secretary on Debt Management on Federal financing matters, the financing of non-Federal sectors of the economy, and, in general, financial market policy.

The committee has reviewed the financial disclosure materials of both nominees. Also the Director of the Office of Government Ethics has written to the committee stating that in his opinion both nominees are in compliance with the Ethics in Government Act,

subject to the fulfillment of commitments the nominees have undertaken.

The committee is satisfied there are no problems in this area. The letter from the Office of Goverment Ethics will be made part of today's hearing record.

[The biographical sketches of George D. Gould and Charles O. Sethness and letters from the U.S. Office of Government Ethics follow:]

GEORGE D. GOULD

SENATE FINANCE COMMITTEE

A. BIOGRAPHICAL:

1. George Dana Gould

2. 320 East 72nd Street, New York, NY 10021

3. Boston, Mass. May 22, 1927

4. Jane Mack Gould

5. George W. Gould, age 23

6. Yale University 1947-1951, BA
Harvard Business School 1953-1955, MBA

7.

June 1976 to June 30, 1985	Madison Resources (Oil & Gas Company)	645 Madison Ave New York, NY 10022	Chairman & CEO
January 1985 to June 30, 1985	Wertheim & Co. (Investment Bankers)	200 Park Avenue New York, NY 10166	General Partner
1974 to 1976	Donaldson, Lufkin & Jenrette Securities Corp.	140 Broadway New York, NY 10005	Administrative (Chairman)
October 1961 to 1974	Donaldson, Lufkin & Jenrette	140 Broadway New York, NY 10005	Investment & Administrative
Sept. 1955 to Oct. 1961	Jeremiah Milbank	44 Wall Street New York, NY 10005	Investment Management
Sept. 1951 to Sept. 1953	Brundage, Story and Rose	90 Broad Street New York, NY 10005	Investment Management

Please note that I have also worked part-time for the Federal Court and the S.E.C. from 1969 to 1976 as a Court-appointed Director of International Controls (Robert Vesco). From May 1983 to the present, I have been a consultant to the Central States Teamsters Pension Fund in Chicago.

8. Municipal Assistance Corp. 1975-1979 Director & Chairman

NYS Housing Finance Agency 1976-1979 Director & Chairman

NYS Medical Care Facilities Finance Agency 1976-1979 Director & Chairman

NYS Project Finance Agency 1976-1979 Director & Chairman

NYS Municipal Bond Bank Agency 1976-1979 Director & Chairman

NYS Mortgage Agency 1976-1979 Director & Chairman

NYS Dormitory Authority 1982-1985 Director & Chairman

9. Links Club — Social
Brook — "
Racquet & Tennis — "
River Club — "
Southampton Bathing Association — "
Meadow Club — "
Doubles — "

St. Elmo Society — Fraternity
Century Club — Honors Society
Southampton Association — Civic
The Appalachian Company — Director
Wenonah Development Company — Director
Inspiration Resources Company — Director
World Bank — Pension Advisory Director

10. No significant contributions that I recall. My late wife, Julie E. Gould, made a number of contributions, but I have no means of determining them specifically at this time.

11. Graduated from Yale with the award of High Orations and Dean's list for four years. Graduated from Harvard Business School having been elected a Baker Scholar and received my degree with High Distinction. I was elected President of the Centry Club, the Honor Society at Harvard Business School.

12. None.

13. None.

14. I have spent my entire career in various forms of finance. This has included the Chairmanship of the State Agencies listed above and the Chairmanship of Donaldson, Lufkin & Jenrette Securities Corporation, a major investment banking firm. Thus I feel I have a broad background and qualification for the position of Under Secretary of the Treasury for Finance.

OUTLINE OF INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL:

1.	Name:	(Include any former names used).
2.	Address:	List current residence address and mailing address.
3.	Date and place of birth.	
4.	Marital status:	(Include maiden name of wife or husband's name).
5.	Names and ages of children.	
6.	Education:	List institution(s), dates attended, degree received and date degree granted.
7.	Employment record:	List all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.
8.	Government experience:	List any experience in, or association with, federal, state or local governments including any advisory, consultative, honorary or other part-time service or positions.
9.	Memberships:	List all memberships and offices held in professional, fraternal, scholarly, civic, charitable and other organizations.
10.	Political affiliations and activities:	List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last ten years.
11.	Honors and Awards:	List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement.
12.	Published writings:	List the titles, publishers and dates of books, articles, reports, or other published materials you have written.
13.	Speeches:	Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech.

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated.

B. FINANCIAL DATA: (The information supplied under this heading will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files, and will be available for public inspection.

1. Provide a complete, current financial net worth statement which itemizes in detail all assets (including, but not limited to, bank accounts, real estate, securities, trusts, investments, and other financial holdings) and all liabilities (including, but not limited to debts, mortgages, loans and other financial obligations of yourself, your spouse, and other immediate members of your household. All assets and liabilities should be separately itemized and fully described.

2. List sources and amounts of all items of value received during each of the last three years, (including, but not limited to, salaries, wages, fees, dividends, capital gains or losses, interest, gifts, rents, royalties, patents and honoraria) of yourself, your spouse, and other immediate members of your household. (In lieu of the above, you may submit copies of your federal income tax returns for these years.)

3. List sources, amounts and dates of all anticipated receipts from deferred income arrrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients, and customers.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

2. Do you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organzation?

3. Has anybody made a commitment to employ your services in any capacity after you leave government service?

4. If confirmed, will you serve your full term of office?

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

2. Are you willing to provide such information as is requested by such committees?

F. OTHER:

1. Have you ever been convicted (including pleas of guilty of nolo contendere) of any criminal violation other than a minor traffic offense?

2. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

_____ _____

(signature) (date)

CHARLES O. SETHNESS

SENATE FINANCE COMMITTEE

A. BIOGRAPHICAL:

1. Charles O. Sethness

2. 6219 Garnett Drive, Bethesda, MD 20815

3. February 24, 1941. Evanston, Illinois

4. Geraldine Greene Sethness

5. Peter W. Sethness, age 15 (son)
John T. Houseman, age 22 (step-son)
Carla M. Houseman, age 21 (step-daughter)
Sarah E. Houseman, age 16 (step-daughter)

6. Princeton University 1959-1963, AB
University of Chicago Business School 1963-1964, no degree (nights)
Harvard Business School 1964-1966, MBA with high distinction

7.

June 1963 to August 1964	American National Bank & Trust Co.	LaSalle & Washington Chicago, IL 60602	Senior Credit Anayst
June 1965 to August 1965	Donaldson, Lufkin & Jenrette	140 Broadway New York, NY 10005	Summer Associate
June 1966 to July 1967	Harvard Business School	Dillon Hall Boston, MA 02163	Research Assistant
July 1967 to March 1971	Morgan Stanley & Co.	140 Broadway New York, NY 10005	Corporate Finance Associate
April 1971 to June 1973	Morgan & Cie International S.A.	3 Place de la Concorde Paris, France 75008	Directeur
June 1973 to March 1975	World Bank	1818 H Street, N.W. Washington, DC 20433	U.S. Executive Director
April 1975 to August 1981	Morgan Stanley & Co. Incorporated	1251 6th Avenue New York, NY 10020	Managing Director
October 1981 to August 1985	Harvard Business School	Sherman Hall 31 Boston, MA 02163	Associate Dean for External Relations

8. None, other than stated above for June 1973-March 1975

9. None

10. Contributed a very modest amount to George Bush's 1980 Presidential primary campaign, and solicited contributions for same from several colleagues.

11. Graduated from Harvard Business School having been elected a George F. Baker Scholar and received my degree with High Distinction.

12. None.

13. No speeches other than extemporaneous, informal talks to groups of Harvard Business School alumni about current events at the school.

14. I believe that I am qualified to serve as Assistant Secretary of the Treasury for Domestic Finance by virtue of my education, experience, personal qualities, and skills. My background includes a mix of consistent, successful experience working in capital markets, structuring and negotiating of complicated transactions, institutional advocacy, relationship management, time spent in government, exposure to major financial institutions, a sound set of analytical and communication skills, personal integrity, and administrative/budgetary/strategic planning assignments.

OUTLINE OF INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL:

1.	Name:	(Include any former names used).
2.	Address:	List current residence address and mailing address.
3.	Date and place of birth.	
4.	Marital status:	(Include maiden name of wife or husband's name).
5.	Names and ages of children.	
6.	Education:	List institution(s), dates attended, degree received and date degree granted.
7.	Employment record:	List all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.
8.	Government experience:	List any experience in, or association with, federal, state or local governments including any advisory, consultative, honorary or other part-time service or positions.
9.	Memberships:	List all memberships and offices held in professional, fraternal, scholarly, civic, charitable and other organizations.
10.	Political affiliations and activities:	List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last ten years.
11.	Honors and Awards:	List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement.
12.	Published writings:	List the titles, publishers and dates of books, articles, reports, or other published materials you have written.
13.	Speeches:	Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech.

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated.

B. FINANCIAL DATA: (The information supplied under this heading will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files, and will be available for public inspection.

1. Provide a complete, current financial net worth statement which itemizes in detail all assets (including, but not limited to, bank accounts, real estate, securities, trusts, investments, and other financial holdings) and all liabilities (including, but not limited to debts, mortgages, loans and other financial obligations of yourself, your spouse, and other immediate members of your household. All assets and liabilities should be separately itemized and fully described.

2. List sources and amounts of all items of value received during each of the last three years, (including, but not limited to, salaries, wages, fees, dividends, capital gains or losses, interest, gifts, rents, royalties, patents and honoraria) of yourself, your spouse, and other immediate members of your household. (In lieu of the above, you may submit copies of your federal income tax returns for these years.)

3. List sources, amounts and dates of all anticipated receipts from deferred income arrrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients, and customers.

C. FUTURE EMPLOYMENT RELATIONSHIPS:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

2. Do you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organzation?

3. Has anybody made a commitment to employ your services in any capacity after you leave government service?

4. If confirmed, will you serve your full term of office?

D. POTENTIAL CONFLICTS OF INTEREST:

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

3. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

4. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

6. Written opinions should be provided directly to the Committee by the General Counsel of the Agency to which you have been nominated and by the Director, Office of Government Ethics, Office of Personnel Management concerning potential conflicts of interest or any other legal barriers to your serving in this position.

E. TESTIFYING BEFORE CONGRESS:

1. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

2. Are you willing to provide such information as is requested by such committees?

F. OTHER:

1. Have you ever been convicted (including pleas of guilty of nolo contendere) of any criminal violation other than a minor traffic offense?

2. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

_____ _____

(signature) (date)

United States of America
Office of Government Ethics

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

SEP - 4 1985

Honorable Robert Packwood
Chairman, Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by George D. Gould, who was nominated by President Reagan for the position of Under Secretary of the Treasury.

We have reviewed the report and have also obained advice from the Department of the Treasury concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Mr. Gould intends to establish a qualified blind trust pursuant to 5 U.S.C. App. 202(f)(3). Under the statutory scheme for this type of blind trust, an asset originally placed in the trust by Mr. Gould is considered to remain his financial interest for conflicts purposes until he is notified by the trustee that the asset has been disposed of, or has a value of less than $1,000. Thus, the trust is considered blind only as to assets subsequently purchased by the trustee. Because Mr. Gould is charged with having knowledge of those original assets that remain, the Department and this Office have also made those assets a part of this review. Entries relating to those assets have been made on the financial disclosure report.

Mr. Gould has agreed to recuse himself, or seek a waiver under 18 U.S.C. § 208(b) so that he might act, in any particular matter involving a financial interest of his should such a matter arise. A copy of his letter to me of August 27, 1985, agreeing to recuse in connection with his former employers, Madison Resources, Inc., and Wertheim & Co. Inc., or his wife's employer, Alliance Management Corp., is also enclosed.

Based on these representations along with our review of the enclosed SF 278 and the publicly known trust assets, we believe that Mr. Gould, in serving as Under Secretary of the Treasury, will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosures (2)

United States of America
Office of Government Ethics

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

AUG 30 1985

Honorable Robert Packwood
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Charles O. Sethness, who has been nominated by President Reagan for the position of Assistant Secretary for Domestic Finance, Department of the Treasury.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Mr. Sethness has executed a recusal statement covering his interests in Morgan Stanley Inc., or its affiliate, Morgan Stanley & Co. Incorporated, and any other holdings in which he has a financial interest within the meaning of 18 U.S.C. §208. A copy of this recusal letter is attached to Mr. Sethness's financial disclosure report.

Based on the foregoing, we believe that Mr. Sethness is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosures

Senator CHAFEE. Gentlemen, we welcome you here. As I mentioned to you when you came by the other day, Monday morning at 9 is not exactly prime time; particularly, when there are no votes in the Senate today.

I had an opportunity to meet with both of these gentlemen last week, and went over their records and reports in considerable detail. I'm satisfied that you meet all the requirements. I commend Mr. Baker and Mr. Darman for having selected you, and I commend you for being willing to undertake this responsibility.

We will be seeing a good deal of you in this committee.

I would ask you now that whenever you are asked to appear before this committee you would do so at our request.

Is that right, Mr. Gould?

Mr. GOULD. Yes, sir, it is.

Senator CHAFEE. Mr. Sethness?

Mr. SETHNESS. Yes, sir.

Senator CHAFEE. We will be talking to you on occasion on other matters.

Do I understand, Mr. Gould, you have your wife here with you?

Mr. GOULD. Yes, sir, I do.

Senator CHAFEE. Well, we welcome you here, Ms. Gould. We hope you enjoy Washington, DC.

Mrs. GOULD. Thank you.

Senator CHAFEE. And, Mr. Sethness, you have your wife and members of your family? Any members?

Mr. SETHNESS. My wife, Gerry, is here.

Senator CHAFEE. Good. We are glad you are both here.

Do you have any statements you wish to make?

Mr. GOULD. No, sir; I have no formal statement other to say that if confirmed I look forward to serving this administration in whatever way I can in what I think will be an interesting several years ahead.

Senator CHAFEE. Well, I would go so far as to say we not only hope you serve this administration, but it's my fervent hope there will be a Republican administration after this that you can serve. And since I am the only member of the committee here, I can say that without fear of contradiction.

Mr. Sethness.

Mr. SETHNESS. I have no formal statement, but I am indeed pleased and honored to be before this committee, and also look forward to several very interesting years ahead.

Senator CHAFEE. Good.

Now it's my understanding that the chairman would like to take up this nomination tomorrow before the full committee. So we will do all we can to move it right along.

We have no witnesses who have chosen to oppose you in any way. We give you a welcome. The responsibilities you have are severe.

Let me just say one thing, if I might, gentlemen.

I would hope in the higher counsels of the Government, which you will be in, that you would use your voice to indicate great concern about this deficit. I'm not talking about the debt ceiling. That's a separate matter which will fall under your jurisdiction, won't it, Mr. Sethness?

Mr. SETHNESS. Yes; it will.

Senator CHAFEE. I'm concerned about the deficit. In the Treasury Department everybody is all excited about tax reform, and that's nice. However, on a scale of 1 to 10, it doesn't come anywhere close to reaching the importance of the deficit. I would hope that you would make your views known and your concerns, if you have those concerns.

Let me see if you have got those concerns. Why don't you speak a little bit about the deficit, Mr. Gould.

Mr. GOULD. All right, sir.

I know that Secretary Baker feels, as he has for several years even before coming to the Treasury, that the Government deficit is a cumulative thing. And I think generally there is a concern of having additional revenues. I say "revenues" rather than "additional taxes" because it has been the hope that the past tax reductions and, indeed, the equity built into the proposed tax bill would stimulate a growth in this economy that would produce, without the necessity of higher general taxes, more revenues that would be helpful in reducing the deficit.

I think the other thing that the Treasury is focused upon is that a prime component of the budget at this time is interest payment on the Federal debt and that anything we can do that keeps the interest cost down, whether it's trying to maintain the efficiency of markets or whatever other factors are under our control becomes an important issue in the deficit as a whole.

So I believe that within the halls of the Treasury, specifically focusing on that, there is a concern. And I think everyone there at the senior level and otherwise, is devoted to whatever they can do in their power to minimize it.

Senator CHAFEE. In your remarks were you suggesting that growth is going to take care of this thing in some way?

Mr. GOULD. Well, I think it would certainly help. Obviously, the converse of that is true, and that lack of growth in the economy would, unless it were particularly accompanied by a very sharp decline in interest rates, would exacerbate the problem. So it is a question, I think, of not really looking at the deficit in an absolute sense, but in a sense relative to gross national product. The growth in the economy could go a long way to minimizing a deficit, as well as what the administration, I believe, has repeatedly tried to do—cuts in certain expenditure areas.

Senator CHAFEE. Well, a good growth in the GNP would be, say, 4 percent. I don't think anybody thinks we are going to get it this year, and certainly not in this current fiscal year. But even at a growth of 4 percent, would that do much to reduce the deficit?

Mr. GOULD. If it is accompanied, as I believe the administration has asked for in the past, by a restraint on spending so that that growth would be reflected in higher revenues to the Government without concomitantly higher expenditures.

Senator CHAFEE. But curtailment of spending involves curtailment of the entitlements as well. Isn't that true?

Mr. GOULD. Yes; I don't feel qualified to speak for the specific items that currently are the focus of what should be cut. But I am familiar as an outsider, if you will, from reading the newspaper of things that have been proposed in the past.

I can't speak to what is currently operative as to the goals of the administration in specific programs.

Senator CHAFEE. What are you thinking about all this, Mr. Sethness?

Mr. SETHNESS. I'm concerned about the size of the deficit. But I think I'd like to paraphrase one of my predecessors when I talked about this job with him. He said that I should remember that my job was to finance the deficit rather than to be too concerned about an active role in the size of it.

Senator CHAFEE. Well, I think any kind of voice down there that can raise these matters is good. I'll just convey to you the concern of this committee. As you know, we made severe cutbacks in a whole series of entitlement programs, which would have reduced the deficit considerably. We thought we had a lot of support of that, but then it seemed to evaporate.

I just want you to go away with the understanding that we—and I can speak for the whole committee; not just the Republicans—are very, very concerned about this deficit. Spending cuts can't all come just out of nonentitlement, nondefense, domestic programs. They have to come out of everything—defense, the entitlements, and the discretionary, nondefense program.

So I would hope when you are meeting in the higher circles where you will be with the Secretary and others you will keep this in mind. The Secretary, very obviously, is a very important person in the whole Government structure, and particularly in dealing with fiscal and monetary affairs. I would hope that you would keep in mind that the reason we have got the huge debt is because we have got the deficit. If we didn't have the deficits, we wouldn't have the debt. We wouldn't have to be raising the debt limit to $2 trillion.

We had testimony the other day that, in keeping with what Mr. Gould said about the cost of the debt, over half of all personal income tax payments in the United States goes solely to pay the interest on the debt. Not a nickel goes toward principal; all toward interest. That's with the rates historically high.

What do you sell the debt for now? What's the long-term Treasury obligation sell for now?

Mr. SETHNESS. The 30-year bond is selling at about 10¾ right now.

Senator CHAFEE. And how about Government notes?

Mr. SETHNESS. The scale, it runs from about 10¾ for the long bond back to about 7½ percent for 91-day bills. So it's along that curve.

Senator CHAFEE. Well, that's high, but it's not high in recent history.

Mr. SETHNESS. Not compared with several points in the last couple of years.

Senator CHAFEE. That's right.

All right, gentlemen. Thank you very much for coming, and we will do all we can to expedite this by the committee and by the Senate as a whole.

Thank you.

Mr. GOULD. Thank you very much.

Mr. SETHNESS. Thank you.

Senator CHAFEE. And good luck in your jobs. We need you.
[Whereupon, at 9:14 a.m., the hearing was concluded.]

○